MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC1634 – FINANCIAL ACCOUNTING & REPORTING 1

(All sections / Groups)

3 JULY 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SEVEN (7)** pages, excluding the cover page with only **FOUR (4)** questions.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

Part A

i. Identify **TWO (2)** regulatory bodies and illustrate **TWO (2)** of their roles with regard to financial reporting practice in Malaysia.

(6 Marks)

ii. Illustrate why the process of reporting to external users is subjected to more rules and regulations compared to internal users.

(3 Marks)

Part B

i. Elaborate how the following qualitative characteristics enhance the usefulness of information in decision making:

a) Timeliness (2 marks)

b) Comparability (2 marks)

ii. Explain the following measurement bases that are used in the financial accounting and reporting framework:

a) Fair value (2 marks)

b) Present value (2 marks)

Part C

Briefly explain the 4 (four) benefits of accounting to non-profit organisation.

(8 marks)

(Total: 25 marks)

QUESTION 2

Kasih Berhad has been involved in the business since 2015. Given below is the company's trial balance as at 31 December 2022.

Trial Balance of Kasih Berhad as at 31 December 2022

	Debit RM	Credit RM
Ordinary share capital as at 1 January 2022		3,225,000
Retained earnings as at 1 January 2022		538,500
8% Bank loan		225,000
Sales		6,210,000
Rental income		48,000

Continued...

Investment income		37,800
Account payables		305,000
Account receivables	625,000	
Inventory as at 31 December 2022	239,500	
Cash and bank	278,900	
Land at cost	2,176,500	
Buildings at cost	1,250,000	
Plant and machinery at cost	725,000	
Motor vehicles at cost	365,000	
Investment	980,000	
Accumulated depreciation as at 1 January 2022		
- Buildings		240,000
- Plant and machinery		218,000
- Motor vehicles		165,200
Cost of sales	3,832,000	
Administration expenses	123,500	
Distribution expenses	61,600	
Director's remuneration	52,500	
Auditor's fee	15,500	
Interest paid on bank loan	7,500	
Tax paid	480,000	
	11,212,500	11,212,500

Additional information:

1. Land is not depreciated. Other property, plant and equipment are depreciated on yearly basis as follows:

Buildings	2% on cost.
Plant and machinery	10% on cost.
Motor vehicles	20% on carrying amount.

2. Depreciation expense is classified as an administration expense. However, depreciation on motor vehicles is treated as a distribution cost.

3. The following transactions are related to property, plant and equipment:

   a) On 1 July 2022, a new machinery was acquired at RM40,000 by cheque. This transaction has not been recorded in company's book.
   b) On 31 December 2022, the land was revalued to RM2,500,000 and the director decided to incorporate this amount into the accounts for the year.

Continued...

4. The following provisions are to be made for:

   a) 4% bonus share was declared by the company's director on 30 December 2022 based on the ordinary share held at the beginning of the year. This share was not entitled for any dividend during the year.
   b) Director also declared the final dividend of 5% on the ordinary share held at the beginning of the year.
   c) Director's remuneration outstanding of RM12,500.

5. The bank loan was secured from CIMB on 1 January 2022.

6. The taxation expense for the year was estimated at RM520,000.

Required:

In accordance with the requirement of the MFRS101 Presentation of Financial Statements:

i. Prepare the statement of profit or loss and other comprehensive income for the year ended 31 December 2022 for Kasih Berhad.

(12 Marks)

ii. Prepare the statement of financial position as at 31 December 2022 for Kasih Berhad.

(13 Marks)

(Total: 25 marks)

QUESTION 3

Part A

An extract from the statement of financial position of Super Bhd (Super) as at 30 June 2023 is given below:

Equity	**RM'000**
200,000,000 Ordinary shares	200,000
Retained profits	350,000
Non-current Liability	
20,000,000 5% redeemable preference shares	22,000

Super redeemed all the preference shares at a premium of 10 percent on 30 June 2023. It issued 5 million ordinary shares at RM3 per share to facilitate the redemption and the balance through profits available for dividends.

Continued...

Required:

Show the journal entries to record the above transactions and prepare the statement of financial position after the completion of the transaction.

(8 marks)

Part B

The share capital of Saver Bhd (Saver) as at 1 January 2022 consisted of 20,000,000 ordinary sharesof RM20,000,000. During the year, Saver Bhd made the following transaction:

- 30 June 2022, Saver bought back 5,000,000 of its shares from the open market at the prevailing market price of RM8.00 per share. These shares were held as treasury shares.
- On 30 October 2022, Saver sold 6,000,000 treasury shares in the open marketprice at an average price of RM10.00 per share.

In 2021, Saver issued 2,000,000 units of warrants to bond holders that entitle the holders to subscribe for ordinary shares of the company. Each unit of warrant entitles its holder to one ordinary share at an exercise price of RM6.00 per share. As at 31 December2022, none of the warrants have been exercised. The average market price of Saver's ordinary shares for the year was RM9.00 and this can be assumed as their fair value.

The profit attributable to ordinary shares of Saver for the year ended 31 December 2022 is RM66,000,000.

Required:

Compute the basic EPS and the diluted EPS of Saver for the year ended 31 December 2022.

(7 marks)

Part C

A senior accountant, Mrs Stewart, provided the following information about the account receivables of Synergy Berhad for the year ended 31 December 2022.

Details	RM
Beginning balance accounts receivable	40,000
Beginning balance allowance for doubtful accounts	2,000
Credit sales for the year	225,000
Written off receivable during the year	1,000
Cash received from customers during the year	212,500

Mrs Stewart requested you estimate the bad debt for the year. The company estimates bad debt will equal 5% of the year-end balance in accounts receivable for that year.

Continued...

Required:

i. Compute the bad debts expenses.

(8 marks)

ii. Prepare the adjusting entry for bad debt.

(2 marks)

(Total: 25 marks)

QUESTION 4

Part A

A customer was suing Cantek Berhad for RM1,000,000 for breach of contract. The company had obtained a legal opinion that it was not probable that the company would lose the case. Accordingly, the company provided RM200,000, which was included in administrative expenses. The unrecoverable legal costs of defending the action were estimated at RM250,000. However, this amount had yet to be provided for as legal action would only go to count in 2023.

Assume that the accounting year ended 31 December 2022.

Required:

Illustrate the accounting treatment for this transaction in accordance with MFRS 137 Provision, Contingent liabilities and Contingent Assets.

(5 marks)

Part B

Ceria Berhad, a listed company, is adopting MFRSs in its financial statements for the year ended 31 December 2022. The following information is available:

	Land and Building	Fixtures and Fittings
Cost (land RM500,000)	RM2,600,000	RM484,000
Accumulated depreciation at 1.1.22	RM355,000	RM130,100
Depreciation rate and method (buildings)	5% pa straight-line	20% pa reducing balance
Recoverable amount (land RM400,000) at 31.12.22	RM1,500,000	RM350,000

Depreciation on property, plant and equipment for the year ended 31 December 2022 has not yet been charged.

Continued...

Land and buildings consist of Ceria Berhad's head office and main warehouse which are located together on one piece of land. Local market values decreased following an official report that has considered the area to be a high-risk flood zone.

Required:

Calculate the carrying amount of the property plant and equipment for the year ended 31 December 2022 and the depreciation charge for 2022.

(7 marks)

Part C

Venus, Neptune and Mars have been in partnership for several years, sharing profits and losses in the ratio 3:2:1. Their last statement of financial position which was prepared on 31 October 2022 is as follows:

Statement of Financial Position of Venus, Neptune and Mars as at 31 October 2022

	RM	RM
Non-current assets		
Motor vehicles		20,000
less: accumulated depreciation		(6,000)
		14,000
Current assets		
Inventory	5,000	
Trade receivables	21,000	26,000
		40,000
Capital		
Venus	4,000	
Neptune	4,000	
Mars	2,000	10,000
Current liabilities		
Bank	13,000	
Trade payables	17,000	30,000
		40,000

Continued...

Despite making good profits during recent years they had become increasingly dependent on one credit customer, Smithson, and in order to retain his custom they had gradually increased his credit limit until he owed the partnership RM18,000. It has now been discovered that Smithson is insolvent and that he is unlikely to repay any of the money owed by him to the partnership. Reluctantly, Venus, Neptune and Mars have agreed to dissolve the partnership on the following terms:

a) The inventory is to be sold to Pluto Enterprise for RM4,000.

b) The motor vehicles will be sold for RM8,000 except for certain vehicles with a book value of RM5,000 which will be taken over by Venus at an agreed valuation of RM7,000.

c) The trade receivables, except for Smithson, are expected to pay their accounts in full.

d) The cost of dissolution will be RM800 and discount received from trade payables will be RM500. Mars is unable to meet his liability to the partnership out of his personal funds.

Required:

Prepare the following:

i. Realisation account

(6.5 marks)

ii. Capital accounts to the partners recording the dissolution of the partnership.

(6.5 marks)

(Total: 25 marks)

End of Page.